

Gaming Industry Association of Montana, Inc.

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EXHIBIT 1
DATE 1-28-09
HB _____

January 28, 2009

Representative Ray Hawk, HD90
Chairman, Joint Appropriations Subcommittee
Judicial Branch, Law Enforcement and Justice

Subject: Department of Justice, Gambling Control Division Budget - Program 07

Dear Chairman Hawk and Subcommittee Members:

My name is Neil Peterson and I represent the Gaming Industry Association of Montana (GIA). The GIA is a business group comprised of individuals engaged in all aspects of the gambling industry including casino owners, video gaming machine manufacturers and video gaming machine route operators. These folks represent a significant industry in Montana. In 2007, approximately 24,000 Montanans were employed by Montana's gambling industry. In addition, for the fiscal year ended June 30, 2008, video gambling machine taxes paid by the industry totaled approximately \$63.4 million.

The GIA strongly supports the Gambling Control Division's (GCD) budget request for the 2011 biennium. In particular the GIA supports decision packages DP702 and DP703.

DP702 will provide for continued support of the reporting of video gaming machine taxes electronically. Since inception of the electronic tax reporting program, the gaming industry has embraced this program wholeheartedly, with currently more than 90% of licensed video gaming machine taxes reported electronically. While the program has worked well, there are still adjustments that can be made to make the program more user-friendly and to offer additional services electronically. This program has been a win for the gaming industry in substantially reduced compliance costs.

DP703 will allow GCD to ensure that new video gaming machines and new software for video gaming machines are approved in a timely matter. We believe the demand for these services will remain strong for the future as video gaming machine manufacturers look to provide hardware and software to meet the needs of the gaming industry. Delays in the approval of new video gaming machines or associated software are costly for the industry and result in significant lost opportunity costs in the marketplace. We applaud the GCD for taking the initiative to add an FTE during the current biennium to meet demands and hope the subcommittee will make the FTE a permanent part of GCD's ongoing budget.

The GCD over the last several years has strived hard to meet its workload demands thereby meeting its customer's needs. The GIA would like the GCD to be able to continue to provide the customer service we have come to expect.

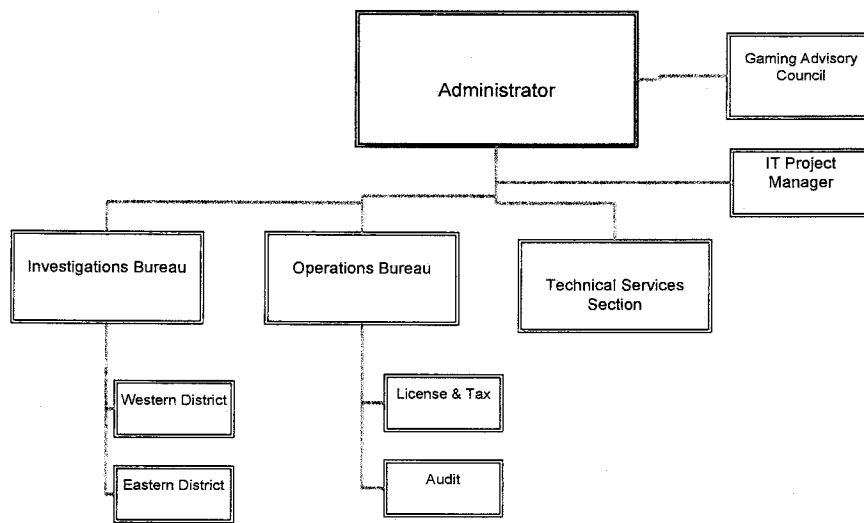
Thank you for the opportunity to provide comment on GCD's budget request for the 2011 biennium.

Sincerely,

A handwritten signature in black ink, appearing to read "Neil Peterson", written in a cursive style.

Neil Peterson
Executive Director

GAMBLING CONTROL DIVISION.



Acting Administrator/
Operations Bureau Chief: Rick Ask 444-9132
License and Tax Supervisor: Kathy Baertsch 444-9131
Investigations Bureau Chief: Jeff Bryson 444-9130
Technical Services Section Supervisor: Ben Kamerzel 444-9133

Through the Gambling Control Division, the Department of Justice regulates all forms of gambling in Montana, except for the Montana Lottery and horse racing. The legislature has charged the division with maintaining a uniform regulatory climate that is fair and free of corrupt influences. The division is also responsible for collecting gambling revenue for state and local governments. Under Montana law, businesses must have a liquor license before they can hold a gambling license, so the division also conducts liquor license investigations and serves as a point of contact for obtaining various liquor licenses.

Montana law mandates strict regulation. Division staff seek to balance this requirement with providing responsive service to the businesses and citizens we regulate.

Funding for the Division is 73% state special and 27% liquor proprietary funds.

Responses to LFD Issues.

1. The Division's **goal is the efficient and effective regulation of gambling in Montana.** It does that by striving to process license and permit applications, collect taxes, inspect locations and video gambling machines; test new video gambling machine prototypes, game programs, and machine to data base communications protocols and programs; and conduct license and criminal investigations as efficiently and effectively as possible.
2. Measureable objectives. The Division tracks general resource needs by tracking the high level performance indicators of taxes collected, permits issued and investigations completed at six month intervals. Taxes have been steadily increasing (\$56.9 to \$63.4 million) and the number of permits issued (20,420 to 21,445) and investigations conducted (1109 to 1206) have remained in the same general range in the last three years. It has also made and justified more specific budget requests and measured progress toward more specific objectives related to those requests. In the current biennium the Division has been tracking movement toward objectives for new license and tax data base and the addition of new staff. New system objectives that have been or are being met are as follows.
 - a. Trained staff and customers on the use of the system.
 - b. Tested and approved two accounting systems used by customers to transmit data to the new system automatically and customers who chose to use the Division website to enter data.

- c. Other measurements related to operation and improvements to data base:
 - Video Gambling Machine permitting process was reduced **from one day** to process and mail/deliver permits **to a matter of seconds** for machine owners who are using the new system.
 - Eliminated the delays** in copying and mailing license applications to field staff. Applications are **now scanned** into the system and **referred to the field electronically**.
 - Eliminated** the need to enter tax payments from most of the 1650 machine locations **(a matter of staff days)** and meter data from the approximately 18,350 machines **(a matter of staff weeks)** as payments and meter data from 90% of machines are now reported or soon will be reported on-line.
- Measureable objectives resulting from staff increases authorized for the current biennium:
 - a. **New offices** in **Butte** and **Glendive** have been opened.
 - b. Staff has been **hired and trained**.
 - c. Other measurements in improved productivity are difficult because vacancy savings requirements prevented the Division from hiring staff until the 4th quarter of the base year. New staff is now productive and the Division is tracking improvements in inspections and investigations particularly in the new office regions.

2011 Budget Proposals.

1. DP 701. Annualize expenses for vacant positions, rent adjustments, and out-of-country travel. Objective to make sure there is sufficient spending authority to allow staff to remain productive throughout the entire year. The Division will measure success by tracking expenditures in new and expanded regional offices in the 2011 biennium.

-**LFD Comment.** Rent increase equates to an 8% increase over base year expenditure. **Response:** contracts for the new offices mentioned above were entered in the fourth quarter of the base year. One-half of the increase requested is to annualize rent for those offices.

2. DP 702. Continuation of OTO Appropriation for the Gambling Database. The Division's goal is to improve the efficiency and effectiveness of the vgm tax system by improving the web entry portion of the system so that it is easier to use and more functional – help operators improve record keeping. Objectives are to:

- Meet with customers and vendors to identify and design improvements.
- Program and implement improvements
- Train staff and customers
- Measure success by tracking use and feedback from customers and improvements in customer record keeping after improvements are made in the biennium.

3. DP 703. Add a New Machine Tester FTE to improve Test Lab to bring time to market to an acceptable level. New position will be paid for with test fees paid by manufacturers. Objectives are to:

- Hire and train position – the need was pressing and, since the original budget submissions and responses to LFD, the Division requested and received a modified position from the OBPP. Staff has been hired and is being trained. The training milestone originally provided to LFD can be moved up from the end to the middle of FY 2010.

- Improve time to market cycle to acceptable levels, 60 to 90 days for new machines and within 30 days for machine hardware and/software modifications.
- Success will be measured by tracking average time to market in the 2011 biennium.

4. DP 704. Recycling Video Gambling Machines. The Division is requesting an appropriation to Recycle old, obsolete machines that are confiscated or abandoned by previous owners in a manner that meets federal requirements for recycling cathode ray tubes present in video gambling machines. Objectives are:

- Find and license a recycler certified to handle cathode ray tubes found in machines. (The Division has already found and licensed a recycler.)
- Establish a business process for the identification and transfer of machines to the recycler.
- Measure the outcome by establishing the business process and tracking the number of devices and cost of recycling through the 2011 biennium.